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C O N F I D E N T I A L SECTION 01 OF 04 ISLAMABAD 003249

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SUBJECT: ZARDARI IS SECURE, BUT THE GOP IS VULNERABLE

REF: LAHORE 296

Classified By: CDA Jerry Feierstein, for reasons 1.4 (b)(d)

¶1. (C) Summary. Despite political parlor talk that Asif Zardari has only a few months to get control of Pakistan or face a military coup, we see no immediate threat Zardari will be ousted from power. His chief threat comes from Chief of Army Staff General Kayani, who has no desire to take on Pakistan's political and economic problems right now and is unlikely to move against Zardari without significant public support. We do expect criticism of Zardari and PM Gilani in the face of the GOP's continued inability to successfully tackle militancy or rescue the economy, both of which are worsening the lives of ordinary Pakistanis. Increasingly, we expect Nawaz Sharif to exploit that criticism to weaken and perhaps unseat Zardari's government but given the precariousness of Pakistan's situation, it's not entirely clear that Nawaz has any better solutions or wants to take on the responsibility for finding them just yet; for now, the Zardari-Nawaz drama is playing out in a battle for control of the Punjab government.

¶2. (C) While Zardari himself is not under immediate threat, his Pakistan People's Party (PPP) government has only a slim parliamentary majority and is vulnerable, both to the opposition and to blackmail from the smaller parties now supporting the coalition. In response, Zardari has initiated negotiations to bring the Pakistan Muslim League (PML) into the coalition. The price will be ousting the Pakistan Muslim League-Nawaz from the Punjab, and that could prompt Nawaz Sharif to initiate efforts to undermine the central government. Right now, however, Nawaz can afford to sit back and let the PPP take the blame for rising food prices, energy blackouts and increasing casualties from suicide bombings. Behind the scenes, Interior Minister Malik alleges, Nawaz is undermining Zardari by spreading false rumors to the Saudis that Zardari is pro-Iranian because he is Shia. While Zardari is Shia by birth, he is avowedly secular. Malik also believes Nawaz is working with the Saudis (a claim denied by Nawaz's associates) to broker a Kabul/Taliban/Islamabad deal to put Gulbaddin Hekmatyar in power in Afghanistan and Nawaz Sharif in power in Pakistan. End Summary.

¶3. (C) The Pakistan People's Party (PPP) government elected in February 2008 continues to settle in after the loss of its coalition partner, the Pakistan Muslim League-Nawaz (PML-N), and the election of Asif Zardari as President. The PPP is touting the supremacy of parliament, and last week's ground-breaking joint session on the terrorist challenge is a nascent but welcome sign the National Assembly has begun to

exert some influence. Nevertheless, there is no question that Zardari as President is the dominant figure in Pakistan's political leadership.

Zardari's Strengths...

¶4. (C) With a staff selected by Zardari and most ministers covering three and four portfolios, PM Gilani has little choice but to toe Zardari's line and serve as a figurehead PM. That situation could change somewhat with the expected cabinet expansion, but the comparisons with a powerful President Musharraf and his hand-picked PM have not gone unnoticed in Islamabad. In his first address to a joint session of parliament, Zardari was careful to express support for "revisiting" the 17th amendment (under which Musharraf transferred power from the PM to the President) but only committed himself to supporting repeal of Article 58.2(b) of the constitution, which gives the President the authority to dismiss the parliament. This would leave Zardari with the power to appoint military service chiefs, governors, and judges.

¶5. (C) Zardari's PPP now controls the executive and legislative branches of power at the national level; by selecting which of the judges deposed by Musharraf are to be reinstated, Zardari also feels confident the Supreme Court will support GOP policies. At the provincial level, the PPP and its allies control three (Sindh, Balochistan, Northwest Frontier) of the four provinces, and there is a looming fight for control of the Punjab. Zardari appears to have backed

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off earlier thoughts of dismissing Chief of Army Staff General Kayani, who remains the only real check on Zardari's power in the short-term. For his part, Kayani remains publicly non-political and continues to defer overtly to civilian guidance. We see no indications Kayani wants to take on the GOP's current challenges, especially not without significant public support. Thus, with relatively few mechanisms to remove Zardari (resignation, impeachment, military coup), it appears that his departure is unlikely in the immediate future.

... but PPP Weaknesses

¶6. (C) The same cannot be said for the PPP's control of the National Assembly. Despite Zardari's own seemingly enviable situation, there continues to be debate in political circles of just how long Zardari's government can remain in power. Doubts about its staying power are fed by the sad, but historically well-founded, assumption of many Pakistanis that the military, which does not like Zardari or the PPP, will step in if civilian government again proves corrupt and inept. Certainly, the new government has had a rocky start (septel) and there already are signs of corruption. The GOP has no real plan for dealing with either an impending economic collapse or the growing militant threat.

¶7. (C) Indeed, the government faces a tricky balancing act as it tries to maintain what we believe is a serious determination to roll back the militancy and, at the same time, maintain the popularity of the PPP government in the face of the unpopular fiscal austerity measures required to rescue the economy from collapse. As bombs, bread lines and power shortages worsen the lives of ordinary Pakistanis, the media, civil society and the political opposition will increasingly criticize Zardari and the PPP government. To weather those storms, Zardari needs to increase his voting strength in the parliament.

¶8. (C) The PPP and its coalition partners control exactly half (171 of 342) the votes in the Assembly; this makes the PPP vulnerable to blackmail by the smaller parties. Gilani and Zardari likely can count on seven more votes from the

Pakistan Muslim League-F and National Party members; the FATA parliamentarians represent another 12 Assembly seats, and most currently support the PPP. With its 25 Assembly seats, the Karachi-based Muttahida Quami Movement (MQM) alone can bring down the government; MQM's chief demand so far has been for cabinet seats. Fazlur Rehman's JUI-F controls seven Assembly (and 12 Senate) seats, giving him considerable power; Fazlur has questioned military operations in the tribal areas but usually can be wooed with various forms of compensation. The FATA parliamentarians are technically independent, but many of them also are critical of ongoing military operations in their constituencies; Zardari and Gilani will have to consult continually with this group to keep them on board. To rule comfortably, Zardari's best option still appears to be a deal with the Pakistan Muslim League (PML).

Nawaz and the Chaudhrays: Calculating Options

¶9. (C) Despite the government's weaknesses, the PML-N in opposition has not moved aggressively to challenge it. After withdrawing formally from the coalition, PML-N has been relatively quiet as it evaluates its options. Nawaz and Shahbaz Sharif have carefully avoided overt criticism of Zardari. PML-N has a strong and articulate National Assembly Opposition Leader in Chaudhry Nisar, who told Polcouns October 7 that Nawaz several times had gently chastised him for being too strong in his criticism of the government, but had not ordered him to stop. (Note: It appears that Nisar will be the bad cop to Nawaz and Shahbaz Sharifs' good cop role in publicly dealing with the GOP. Some also wonder if Nisar is positioning himself to become Prime Minister.)

¶10. (C) Asked about the PML-N's position on terrorism, Nisar merely said that his party supported the government's strategy in general, especially the position that force should be used only when necessary. The country, he said, needed a unified platform with all parties on board, and he

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was pleased that Zardari had agreed to what he described as PML-N's call for a joint sitting of parliament to discuss terrorism. So far, PML-N has used criticism of the procedures regarding the joint session (septel) rather than taking on the GOP strategy just yet. On the economy, Nisar said that the PML-N had no position because the PPP had not shared details of its economic plan.

¶11. (C) PML-N leader and former Finance Minister Dar told Ambassador October 7 that he was very, very worried that the PPP has no real plan of action for tackling an increasingly dire economic situation. He shared reports of a USD seven billion outflow of capital to the UAE and predicted that Pakistan would soon have to adopt an overt or a shadow IMF program. (Note: The GOP opposes an IMF program because, in Zardari's words, no Pakistani government has survived politically after accepting an IMF program.) Dar said he joined Nawaz in an hour and half meeting in Saudi Arabia requested by King Abdullah; Abdullah, said Dar, was not convinced the Pakistanis were serious about an economic reform package and were not eager to provide concessional oil or other benefits at this time.

A Tale of Two Cities

¶12. (C) Although the PML-N has decided the time is not right to confront Zardari's government openly in the federal capital, nevertheless, the battle is being fought more aggressively in the country's Punjabi heartland as the Zardari-Nawaz drama is playing out over control of the Punjab government in Lahore. There is a court case pending that challenges Nawaz's eligibility to become a National Assembly member because of his former convictions for corruption and hijacking, and there is a technical challenge to Shahbaz's

election eligibility and thus his service as Chief Minister of Punjab. These cases repeatedly have been continued by the courts, an action that allows the PPP to keep the threat alive without taking action that would alienate PML-N's sizable popular support base in the Punjab. Both Zardari and Interior Minister Malik have told Ambassador they believe using the court cases to shut down the Sharifs would be counterproductive. Instead, the PPP may opt for asking the Punjab governor to call for a vote of confidence as a way to bring down Shahbaz's government.

¶13. (C) Punjab Governor Taseer told Ambassador that the PPP continues to weigh its options on whether to try and take down the PML-N government in the Punjab (Reftel). Shahbaz's government currently is 12 (PML believes 16) seats short of a majority and has been negotiating with the forward block/defectors of the PML to determine if Shahbaz can rule without the PPP.

¶14. (C) Likewise, the PPP is in talks with PML leaders about ousting Shahbaz from power. Shujaat told Ambassador October 5 that he was engaged in a series of meetings with Zardari and MOI Malik and was confident of success. However, Zardari wants the PML to join the PPP in Islamabad before the PPP will move against Shahbaz in Lahore. Shujaat, who admitted that "Zardari had played his cards extremely well," nonetheless does not trust Zardari so he wants control over the Punjab before PML will join the center.

PML-N Machinations in Saudi?

¶15. (C) Meantime, rumors abound that the PML-N is working to undermine the Zardari government internationally. MOI Malik told Ambassador October 6 that Nawaz is working actively to spread disinformation about Zardari. According to Malik, Nawaz has convinced the Saudis that Zardari is pro-Iranian because he is a devout Shia. (N.B.: Zardari is Shia by birth but remains avowedly secular.) Malik also anticipated that PML-N, when it begins to turn on the PPP government, will play the anti-American card in debates over terrorism and the economy.

¶16. (C) Malik reported (a day before the story broke in the press) that Nawaz was helping the Saudis broker a deal between the Taliban and Kabul. Malik alleges the Saudi plan is to put Gulbaddin Hekmatyar in control of Afghanistan and

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have Nawaz replace PM Gilani in Pakistan. (Nonetheless, Malik blamed the Saudi no-show at the Friends of Pakistan meeting in New York on the alleged ineptitude of FM Qureshi not Nawaz's machinations and admitted the GOP had fences to mend with Riyadh.) Malik recommended to Zardari that he visit Saudi for umrah (religious pilgrimage) and carefully avoid making any direct requests. "The Arabs never respond directly," said Malik, "they only come around later, so Zardari should just brief them on the situation and our plans to address the economic crisis. Then, we sit back and wait for assistance."

¶17. (C) Dar and Nisar separately denied to us that Nawaz had been involved in any Saudi discussions about brokering a peace deal between Kabul and the Taliban. Dar recommended that Zardari work more with the Saudi Ambassador in Islamabad to smooth some ruffled feathers. Still, Dar was not optimistic about the prospect of a Saudi bailout for Pakistan.

¶18. (C) Comment: The PPP government's ability to maintain its hold on power is not secure, and we expect the media and civil society to be increasingly critical of Zardari if his government does not soon get its act together. The consequences for Zardari personally are likely limited, as it would take a long time for criticism to translate into efforts to oust a sitting president -- there is no easy, constitutional path to his removal, and the Army is unlikely

to take action to remove Zardari without significant public support. The calculus for the PPP's hold on the National Assembly, however, is not as easy. At this juncture, the PPP's best option is likely to continue efforts to build a stronger coalition at the center that can withstand the security and economic storms that are gathering inevitably on Pakistan's horizon. To do that, however, requires a Zardari grab for control of the Punjab. We believe he can, and eventually may, succeed in removing PML-N from control of the provincial government in Lahore. But that success will also have consequences, as it could force Nawaz in turn to take off the gloves and exploit security and economic problems to try to unseat the PPP government in Islamabad.

¶19. (C) Nawaz confronts a very different situation. We believe his preference would be to sit back and let the PPP take the blame for rising food prices, energy blackouts and increasing casualties in suicide bombings. We certainly have yet to see any indication that Nawaz, were he to find himself back in office, would have any of the answers to Pakistan's problems that so far have eluded Zardari. Nevertheless, the prospect of the PPP solidifying its hold on the National Assembly, coupled with the possible loss of his last remaining power base in the Punjab provincial government, may force Nawaz to play his hand earlier than he would like. The net result may well be a Pakistani political system still heavily absorbed in in-fighting and poorly positioned to tackle the country's daunting challenges.

FEIERSTEIN